

State of California  
Department of Insurance  
45 Fremont Street, 21<sup>st</sup> Floor  
San Francisco, California 94105

UPDATED INFORMATIVE DIGEST / POLICY STATEMENT OVERVIEW

**File No. RH-398  
November 16, 2001**

PUBLIC INSPECTION AND PUBLICATION OF EXAMINATIONS

California Insurance Commissioner Harry W. Low proposes the adoption of Title 10, Chapter 5, Subchapter 7.5, Article 2, Section 2695.30, California of Regulations (CCR), regarding the form and length required by statute to be provided for comments submitted by insurers relating to the Insurance Commissioner's adopted reports of examinations of unfair or deceptive practices in the business of insurance. At the same time, the Commissioner proposes to rename Subchapter 7.5 (now entitled the "Fair Claims Settlement Practices Regulations") "Unfair or Deceptive Acts or Practices in the Business of Insurance" and to place Sections 2695.1 through 2695.17 in a new Article 1 (of Subchapter 7.5) and name those sections "Fair Claims Settlement Practices Regulations."

The purpose of these regulations is to implement, interpret, and make specific the provisions of California Insurance Code (CIC), Division 3, Chapter 2, Article 1, Section 12938.

Emergency regulations are in place, effective until February 9, 2002, in OAL File No. 01-1005-02 EE (CDI File No. ER-40). The emergency regulations fulfill the Legislature's mandate on a temporary basis. The instant proposed action will do so permanently.

Existing Law

CIC §734.1 sets forth procedures that must be followed by the Department of Insurance relating to reports of examinations of insurers. The section establishes, in pertinent part, requirements and timelines for completion of the examination report; transmission of the report to the insurer for response; the insurer's submissions or rebuttals to the report; and the Commissioner's adoption of the report.

CIC §12938 (Senate Bill No. 1805, Chapter 997 (1999-2000 session), Section 2) requires the Department to make various documents available for public inspection, including by publication on its website. The section also provides that, of the documents to be published, the report of market conduct examination must be transmitted to the examined insurer upon its adoption by the Commissioner, that the insurer then has 10 business days in which to submit comments to the Commissioner relating to the adopted report, and that, within 10 business days after transmittal of the adopted report, the Commissioner publish on the Department's website both the adopted report and any comments received thereto, unless a court of competent jurisdiction has stayed the publication of the report.

CIC §12938(b) requires the Commissioner to provide by regulation the form and length of the insurer's comments relating to the adopted report. This regulation is intended to comply with that statutory mandate.

The Proposed Regulations Do Not Differ Either From the Text of Regulations issued with the Notice of Proposed Regulatory Action or from the Emergency Regulations in OAL File No. 01-1005-02 EE (CDI File No. ER-40).

#### Summary of Effect of the Regulations

The proposed regulations will have the effect of providing, on a permanent basis, standards for form and length of insurers' comments to market conduct examination reports, both of which are to be published on the Department of Insurance's website. The statutes established the basic requirements, entrusting the Insurance Commissioner to interpret and make those requirements specific, and to implement this aspect of the Public Inspection and Publication of Examinations scheme as best he sees fit.